

RECORDATION NO. 26516-A FILED

AUG 17 '06 2-33PM

SURFACE TRANSPORTATION BOARD

OF COUNSEL
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ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

August 17, 2006

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Memorandum of Mortgage, entered into as of August 17, 2006, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to the Memorandum of Net Railcar Lease being filed with the Board under Recordation Number _____.

The name and address of the party to the enclosed document are:

Debtor: Babcock & Brown Rail Funding LLC
885 Second Avenue, 49th Floor
New York, NY 10017

[Secured Party: Bayerische Hypo-Und Vereinsbank AG, Agent
FPA 4 Lease/Asset Finance
Am Tucherpark 1 (FPA)
80538 Munich, Germany]

Mr. Vernon A. Williams
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A description of the railroad equipment covered by the enclosed document is:

125 AutoFlood hopper railcars: TVAX 26126 – TVAX 26249.

A short summary of the document to appear in the index is:

Memorandum of Mortgage.

Also enclosed is a check in the amount of \$34.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Alvord', with a long horizontal flourish extending to the right.

Robert W. Alvord

RWA/sem
Enclosures

AUG 17 '06

2-33PM

MEMORANDUM OF MORTGAGE

SURFACE TRANSPORTATION BOARD

Memorandum of Mortgage, made and entered into as of August 17, 2006 between **BABCOCK & BROWN RAIL FUNDING LLC** (the "Debtor") and **BAYERISCHE HYPO-UND VEREINSBANK AG**, as Agent under the Security Agreement referred to below (together with its successors and permitted assigns, the "Secured Party"). Terms used in this instrument have the meanings assigned thereto in the Amended and Restated Security Agreement dated as of October 18, 2002 (as supplemented, including by Security Agreement Supplement No. 38 dated the date hereof, the "Security Agreement") between the Secured Party and the Debtor.

WITNESSETH:

The undersigned and the Secured Party have entered into the Security Agreement, by which the Debtor has granted a security interest in certain railroad equipment bearing reporting marks and road numbers as listed on Exhibit A attached hereto and in each lease referred to on Exhibit B attached hereto to the Secured Party in order to secure the Debtor's performance of its obligations as described in the Security Agreement.

IN WITNESS WHEREOF, the party hereto has caused this memorandum to be duly executed by its officer duly authorized as of the date and year first above written.

**BABCOCK & BROWN RAIL FUNDING
LLC**

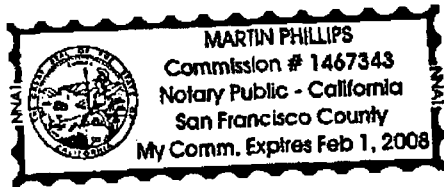
By

Name: Ross Sullivan

Title: Vice President

STATE OF CALIFORNIA)
) ss.:
COUNTY OF SAN FRANCISCO)

On the 16 day of August in the year 2006 before me personally came Ross Sullivan to me known, who, being by me duly sworn, did depose and say that he resides at 1090 Butterfield Road, San Anselmo, CA 94960; that he is the Vice President (duly appointed) of Babcock & Brown Rail Funding LLC, the limited liability company described in and which executed the above instrument; and that he signed his name thereto by authority of the officers of said limited liability company.



Martin Phillips
Notary Public

[Notarial Seal]

**Exhibit A
to Memorandum of Mortgage**

EQUIPMENT

<u>Lease #</u>	<u># Cars</u>	<u>Year Built</u>	<u>Description</u>	<u>Reporting Marks</u>	<u>Casualty Marks</u>
1	125	2006	4200 CF Aluminum body Rotary AutoFlood HIF™ open top coal hoppers, 286,000 lbs. GRL; AAR Car Type Code K341; built in 2006 by FreightCar America, Inc.	TVAX 26125-26249, inclusive.	None.

LIST OF LEASES AND OTHER OPERATIVE AGREEMENTS

Lease # 1

Master Net Railcar Lease dated as of August 10, 2005, by and between Babcock & Brown Rail Funding LLC and Tennessee Valley Authority, to the extent the same relates to the Equipment described in Exhibit A hereto.

Schedule No. 07 to Master Net Railcar Lease dated as of July 12, 2006, by and between Babcock & Brown Rail Funding LLC and Tennessee Valley Authority, to the extent the same relates to the Equipment described in Exhibit A hereto.

Memorandum of Net Railcar Lease dated as of July 12, 2006, by and between Babcock & Brown Rail Funding LLC and Tennessee Valley Authority, in respect of the Equipment described in Exhibit A hereto.

Certificate of Acceptance of Railroad Cars dated August 7, 2006, from Tennessee Valley Authority to Babcock & Brown Rail Funding LLC, in respect of the Equipment described under in Exhibit A hereto.

Master Railcar Manufacturing and Purchase Agreement made and entered into as of June 28, 2005, by and between FreightCar America, Inc. and Babcock & Brown Rail Funding LLC, to the extent the same relates to the Equipment described in Exhibit A hereto.

Rider No. 15 to Master Railcar Manufacturing and Purchase Agreement between FreightCar America, Inc. and Babcock & Brown Rail Funding LLC dated as of July 24, 2006, to the extent the same relates to the Equipment described in Exhibit A hereto.

Warranty Bill of Sale dated as of August 17, 2006, from FreightCar America, Inc. to Babcock & Brown Rail Funding LLC and each Certificate of Acceptance executed by Babcock & Brown Rail Funding LLC in relation to the railcars identified in such Warranty Bill of Sale.

Together with all substitutions, replacements and renewals of the property above described, and all property which shall hereafter become physically attached to or incorporated in the property above described, whether the Debtor now has rights therein or such rights shall hereafter be acquired by it.

CERTIFICATION

I, Robert W. Alvord, attorney licensed to practice in the State of New York and the District of Columbia, do hereby certify under penalty of perjury that I have compared the attached copy with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated: August 17, 2006



Robert W. Alvord